

INDIAN AFFAIRS MANUAL

Part:	5	Management Accountability	
Chapter:	1	Audits of Indian Affairs Operations	Page 1

1.1 Purpose. The purpose of this chapter is to provide guidance on the development of audit plans, coordination of audit assignments, and resolution of audit findings for those audits of Indian Affairs operations conducted by the Office of Inspector General (OIG) or the General Accounting Office (GAO).

1.2 Authority.

- A. Title 5 U.S.C., Appendix,** Inspector General Act (P.L. 95-452), as amended;
- B. Title 31 U.S.C. §§701-720,** General Accounting Office; and
- C. Title 31 U.S.C. §§ 901-903,** Chief Financial Officers Act.

1.3 Guidance.

A. Office of Management and Budget (OMB) Circulars:

- (1) A-50, Audit Followup; and
- (2) A-123, Management Accountability and Control.

B. Departmental Manual:

- (1) Part 360, Audit Policy; and
- (2) Part 361, Audit Followup.

1.4 Policy. It is the policy of Indian Affairs to work cooperatively with auditors; to give prompt and objective consideration to the findings and recommendations contained in audit reports; to follow through, if necessary, with appropriate corrective actions; and to report, as required, on all of the above.

1.5 Designation of Audit Liaison Officer. As required by 360 DM 1.4(C), the Director, Office of Audit and Evaluation, is designated as the Audit Liaison Officer for Indian Affairs.

1.6 Responsibilities.

A. All Senior Executives in Indian Affairs:

- (1) Contribute to the audit planning process;
- (2) Ensure that auditors have access to all documents, reports, and other information that may be requested during an audit of programs or activities within the Executive's area of responsibility;
- (3) Provide complete and timely responses to all assigned audit reports;
- (4) Ensure that plans prepared to implement audit recommendations will result in correction of identified deficiency and that such plans are reasonable in terms of personnel and financial resource requirements;

INDIAN AFFAIRS MANUAL

Part:	5	Management Accountability	
Chapter:	1	Audits of Indian Affairs Operations	Page 2

(5) Establish responsibility for implementation of corrective actions and monitor progress toward accomplishment of such actions; and

(6) Report, when requested, on the status of corrective actions.

B. Audit Liaison Officer:

(1) Consolidates input from Indian Affairs' officials for the audit work plan;

(2) Coordinates and facilitates audit assignments;

(3) Provides assistance in responding to audit reports, formulating corrective action plans, implementing such plans, and reporting thereon;

(4) Establishes and maintains an automated system to provide management information on audit status; and

(5) Disseminates audit plans and audit reports throughout the organization.

1.7 Development of OIG Audit Workplan. Annually, the OIG provides an opportunity for Indian Affairs officials to identify audit objectives in order to promote efficiency and economy in Federal operations, and to ensure programs are operated in compliance with laws and regulations. Indian Affairs executives are encouraged to work with the OIG in the planning process to identify those audit areas which would provide information needed by management to improve operations. Requests may include:

A. Internal Audits which are audits of programs and activities operated directly by Indian Affairs;

B. Audits of Self-Determination Contractors/Grantees/Compactors which are audits of programs operated by a tribe or tribal organization through a contract, grant, or compact which supplement the audits performed under the Single Audit Act;

C. Audits of Commercial or Buy-Indian Contractors, such as:

(1) Preaward audits;

(2) Audits of contractor's claims resulting from change orders or requests for equitable adjustment;

(3) Audits of contract termination settlement proposals; or

(4) Audits of costs incurred under a cost reimbursable contract.

1.8 Distribution of the OIG Audit Workplan. Once the OIG has completed the Audit Workplan, copies are provided to the Audit Liaison Officer for distribution within Indian Affairs. While the workplan is subject to change, this publication provides initial notice as to the programs and activities scheduled for audit during the fiscal year.

INDIAN AFFAIRS MANUAL

Part:	5	Management Accountability	
Chapter:	1	Audits of Indian Affairs Operations	Page 3

1.9 GAO. The GAO is the investigative arm of the Congress and is charged with examining all matters relating to the receipt and disbursement of public funds. The majority of GAO reviews are made in response to specific congressional requests.

A. GAO Surveys. GAO frequently uses questionnaires to collect data from a number of different departments. Generally, GAO relies on the information provided by the departments and does not independently verify the accuracy of the submitted data. These surveys result in reports to Congress, but do not include recommendations to the individual departments.

B. Other GAO Assignments are conducted as traditional audits and generally follow the processes outlined below.

1.10 Notification Letters. The initiation of an audit begins with a notification letter identifying the purpose and scope of the audit, and the sites the auditors intend to visit. OIG notification letters are sent to the Assistant Secretary - Indian Affairs while GAO letters are sent to the Director, Office of Financial Management, Department of the Interior. A copy is provided to the Audit Liaison Officer who notifies the appropriate Indian Affairs officials of the audit.

1.11 Entrance Conference. The auditors normally request an entrance conference to discuss the scope of the audit, to identify certain background material that may be of assistance in conducting the audit, and to provide an estimate of the duration of the audit.

1.12 Interim Briefings and Reports. Indian Affairs officials may be briefed during the course of the audit on the results to date, including tentative audit findings and recommendations. When there are significant findings of fraud or mismanagement, the auditors may issue a special report to management, prior to completion of the entire audit, so that management can take immediate action to correct the situation.

1.13 Exit Conference. Upon completion of the audit, an exit conference is held with appropriate Indian Affairs officials to provide an opportunity to discuss the tentative findings and recommendations. The auditors may provide a preliminary draft report prior to the exit conference or present an oral briefing of the results of the audit. The purpose of the exit conference is to ensure that the information in the draft report is accurate and complete and to provide management's initial comments on the tentative findings and recommendations. Every effort should be made to identify any and all areas of disagreement at this time.

1.14 Draft Audit Report. Subsequent to the exit conference, the auditors will issue a draft audit report.

A. OIG Draft Reports Without Recommendations do not require a formal response although Indian Affairs officials are provided an opportunity to submit comments.

B. OIG Draft Reports With Recommendations require a formal response from the Assistant Secretary - Indian Affairs within 45 days of release of the draft report.

C. GAO Surveys are usually provided directly to the office which supplied the data so that officials may ensure that GAO is accurately reporting the information as provided. The turn-around time is generally less than one week.

D. Other GAO Assignments for which Indian Affairs comments are requested require a response within 10 days. The comments may be provided orally or in writing and must be

INDIAN AFFAIRS MANUAL

Part:	5	Management Accountability	
Chapter:	1	Audits of Indian Affairs Operations	Page 4

coordinated at the Departmental level. The ALO will work with the appropriate Indian Affairs executive(s) to determine whether oral or written comments should be provided.

1.15 Response to OIG Draft Audit Report. The response to the draft audit report is prepared in memorandum format for signature by the Assistant Secretary - Indian Affairs and should contain the following:

A. A general discussion in the same sequence of the audit report detailing any misstatements or areas of significant disagreement with the substance of the report and providing a context for the responses to the specific recommendations contained in the audit report.

B. The audit recommendations followed by the Indian Affairs' response to each. Each response should begin with one of the statements listed below followed by an explanation of the actions that Indian Affairs has taken or proposes to take in response to the recommendation.

- (1) The ["Bureau" or organization which is subject of audit] concurs.
- (2) The ["Bureau" or organization which is subject of audit] does not concur.
- (3) The ["Bureau" or organization which is subject of audit] partially concurs.

C. For any audit recommendation which has already been implemented, the response will provide documentation of such implementation.

D. For any audit recommendation with which Indian Affairs concurs that has not been implemented, the response is to specifically identify what action will be taken, the name and title of the individual(s) responsible for implementation, and the target date for completion of the implementing action(s).

E. For any classification of monetary amounts (Funds to be Put to Better Use or Potential Additional Revenues), the response should either indicate agreement, or it should provide the reasons for disputing the amounts so classified.

1.16 Final OIG Audit Report. The final audit report will include the auditor's reply to Indian Affairs comments and identify recommendations that are resolved and implemented; resolved, but not implemented; and unresolved. Unresolved issues are to be reconsidered by the Assistant Secretary - Indian Affairs, and a follow-up response is required.

1.17 Response to Final OIG Audit Report. If a response to a final audit report is required, the response should provide the information requested by the OIG in the report appendix entitled "Status of Audit Report Recommendations." The response is written in memorandum format for signature by the Assistant Secretary - Indian Affairs.

1.18 Audit Resolution. If any recommendations remain unresolved or there is disagreement between the OIG and Indian Affairs about the agency's management decision, the report will be referred to the Assistant Secretary - Policy, Management and Budget (PMB) to render a decision for the Department. Meetings generally provide the forum for reaching final decisions on unresolved recommendations. Formal notification of the Departmental decision is provided to the Assistant Secretary - Indian Affairs.

1.19 Audit Followup. Both OIG and GAO audits remain open until all agreed actions have been implemented. These audits are tracked in the office of the Assistant Secretary - PMB and regular

INDIAN AFFAIRS MANUAL

Part:	5	Management Accountability	
Chapter:	1	Audits of Indian Affairs Operations	Page 5

reports on the status of implementation actions is required. Executives should strive to have all recommendations completely implemented within six months of the issuance of the final audit. Some particularly complex or costly implementation actions may be scheduled over longer periods of time. Should that be the case, executives should regularly review the planned actions to determine if changed circumstances warrant modifications to the initial plans. If changes are required, the executive should contact the ALO to arrange for discussions with the auditors.

1.20 Audit Close Out. As recommendations are implemented, the ALO is to be notified so that a report can be made to the Assistant Secretary - PMB.